

# The Financial Times of Indiana

## News from the Office of Governor Frank O'Bannon

Friday, May 31, 2002

[www.IN.gov/gov](http://www.IN.gov/gov)

### The News in brief...

Governor O'Bannon on Tuesday released details of the final phase of cutbacks he announced last November.

The cutbacks of \$203 million are a combination of:

- Cuts in funding to state agencies;
- Cuts in building projects planned across the state;
- Savings realized from making government more efficient;
- Transfers from accounts set up to fund specific parts of state government or projects; and
- Transfers from capital accounts that had outstanding balances.

These cuts fulfill the Governor's commitment under his Balanced Budget Plan and his Deficit Management Plan to make substantial cuts in state government in order to respond to revenue lost as a result of the recession. Additional cuts may be necessary if the legislature fails to provide more revenue through increases in the cigarette and gaming taxes.

In addition to the budget remedy, Governor O'Bannon and Lieutenant Governor Kernan are asking lawmakers to protect homeowners by cutting property taxes and to restructure businesses taxes to create good jobs for Hoosiers.

"All three of these goals must be met if we are to protect each and every Hoosier during these difficult economic times," the governor said, urging passage of House Bill 1001ss next week.

The bill, which was approved 19-6 by the House Ways and Means Committee last week goes before the full House for floor votes beginning Monday.

### Tough Times Call for Leadership

*Since announcing the Balanced Budget Plan in November, Governor O'Bannon has cut nearly \$950 million from Indiana's biennial budget (amounts given below are in millions).*

FY 2002 Cuts	Amount
Medicaid Cuts from April 2001 Forecast	\$100 M
Cuts in operating expenses EXCEPT Education	\$113
State capital project cutbacks	\$ 32
Higher Education Repair & Rehab cutbacks	\$ 16
No raises for state employees	\$ 15
<b>FY 2003 Cuts</b>	
State Government Appropriations	\$109
Medicaid cuts from April 2001 forecast	\$150
Higher Education University Operating Appropriations	\$ 29
Teachers Retirement Fund cost of living appropriation	\$ 15
<b>End-of-year reversions and cuts</b>	<b>\$203</b>
Additional cuts made through the Deficit Management Plan after a budget remedy was not provided in the 2002 legislative session	\$167
<b>Total Biennial Budget Cuts to date</b>	<b>\$949 M</b>

*Sources: IN State Budget Agency, Office of the Governor*



### Budget News From Around the Nation

In **Connecticut**, legislators adjourned without agreeing on a budget bill, which has forced state leaders to consider borrowing funds for the first time in 11 years to help resolve the state's \$800 million budget deficit. **Indiana is constitutionally forbidden from borrowing money to solve the state's deficit budget.**

**Facing a nearly \$24 billion deficit**, **California** Governor Gray Davis was forced to cut \$7.6 billion from social service programs in his proposed fiscal 2002-03 budget. Among those cuts were programs that provide free and reduced school lunches, and health insurance for the families of working parents.

**Sources: The New York Times, 5-25-02, [www.childrennow.org](http://www.childrennow.org), 5-14-02**

### From Schools to the Statehouse

*School superintendents from across Indiana are asking their legislators to support House Bill 1001ss. Here are some of their reasons why:*

1. The bill addresses the state's deficit and should prevent further cuts to essential state programs, including public education.
2. Without some action to address the budget deficit, how great will the cuts be next year? 2003 school tax rates must increase to cover loss of state dollars.
3. The bill is the beginning step in addressing tax relief and restructuring.
4. The bill is the first step in growing jobs.
5. The bill is the first step in bringing new jobs to Indiana that will permit our highest educated graduates to find good jobs in Indiana upon the completion of their associate, bachelor, master and doctorate degrees.

For more information, contact Cheryl Reed or John Zody at 317-232-1012